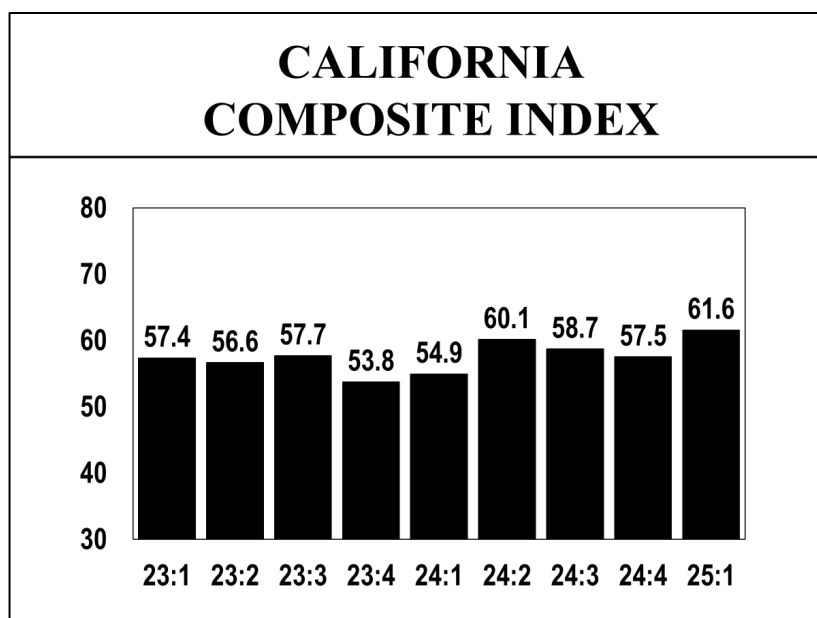


## PRESS RELEASE

# GROWTH IN THE CALIFORNIA MANUFACTURING SECTOR REACHES ITS HIGHEST LEVEL SINCE 2022

ORANGE, CA — Based on a survey of purchasing managers, the California Composite Index, measuring overall manufacturing activity in the state, increased from 57.5 in the fourth quarter of 2024 to 61.6 in the first quarter of 2025 - the highest index since the second quarter of 2022 - indicating that the manufacturing sector is expected to grow at a higher rate in the first quarter. “In anticipation of higher tariffs, particularly on China, purchasing managers are locking in prices for raw materials that they purchase, and sourcing in other countries than China. To some managers, tariffs are the biggest threat of 2025. Higher energy prices and higher wages are pushing costs upward and making California manufacturers less competitive with those in other states. Government budgets in various departments are up in the air, creating uncertainty for decision makers. But there is the expectation that things will be better for manufacturing under the Trump administration, leading to optimistic forecasts of business activity,” said Dr. Raymond Sfeir, director of the purchasing managers’ survey. Production, new orders, inventories of purchased materials, and employment are expected to grow at a higher rate in the first quarter. Commodity prices are expected to rise at a higher rate as well. The durable goods industries, including the high-tech industries, are expected to grow at a higher rate in the first quarter.



## California Manufacturing at a Glance

Composite Index	61.6	Increasing at a higher rate
Production	69.3	Increasing at a higher rate
Inventories of purchased materials	58.9	Increasing at a higher rate
Commodity prices	71.1	Rising at a higher rate
Supplier deliveries	51.9	Slower
New orders	63.8	Increasing at a higher rate
Employment	57.3	Increasing at a higher rate

### Performance by Industry Group

The index for the **non-durable goods industries** remained virtually unchanged. Hence these industries are expected grow at the same rate as the fourth quarter of 2024. Production, inventories of purchased materials, new orders and commodity prices are all expected to grow at a higher rate. The index for employment dipped slightly below 50, indicating a modest decrease in employment. Supplier deliveries will be slower.

The **high-tech industries** include the following: Computer & Electronic Products, and Aerospace Products & Parts. The high-tech industries currently employ about 369,600 employees, amounting to 28.5% of total manufacturing employment in the state. The index for the high-tech industries increased from 63.6 in the fourth quarter to 64.6 in the first quarter of 2025, indicating a higher growth rate in the first quarter. Production, inventories of purchased materials, and new orders are expected to grow at a lower rate. The index for commodity prices increased, indicating a higher rise in prices. The employment index leaped from 53.2 to 67.1, indicating substantially higher growth in employment.

The index for the **durable goods industries other than high-tech** increased from 53.0 in the fourth quarter to 63.6 in the first quarter of 2025, indicating that these industries are expected to grow at a higher rate in the first quarter. Production, inventories of purchased materials, commodity prices, new orders and employment are all expected to grow at a higher rate. Supplier deliveries are expected to be slower.

### Comments by the Purchasing Managers

If consumer retail sales do not start off faster than they have been the last two quarters, we will probably need to cut back on the ingredient purchases we will need to make in the first quarter. (Food)

Seasonal causes lower production and less employees Jan-April (Beverage & Tobacco Products)

We have been sourcing in China for nearly 50 years. Tariff increases are at the forefront of all discussions. Working to move away from China. But that will take years. Hoping to see a reduction in raw materials prices and a move in the exchange rate that will lessen the impact

of planned tariff increases in 2025. Have not seen lower prices yet but my common sense says they are coming. (Textile Mill Products)

With the concern of higher tariffs coming in 2025, most of our suppliers who purchase from China vendors are asking for aggressive forecasts to lock in prices and ensure they have the raw materials in place and at the current price structures. In addition, most suppliers are beginning to source in other countries rather than China. (Apparel)

We are coming off our Christmas season and generally slow up. Compared to last year we see significant growth. (Paper)

Rising material costs and intense competition are continuing to be challenging factors in the industry. (Printing & Related Support Activities)

Business levels are likely to reach unsustainable levels in the next nine months in the California area. This is due wholly to the State of California not issuing any new or redrill permits for oil and gas wells. Geothermal development is not significant enough to support all operations. Without change, the focus of the business will likely be directed to Texas, New Mexico and North Dakota. (Petroleum & Coal Products)

Pending tariffs make projecting difficult. Ultimately, we will have to pass on any tariff-related costs. Our business has shifted internally. More manufactured products (of our making), less distribution business. This is a good sign, but we are struggling to keep up with increased demand for our products. This is largely a labor issue. Looks like higher wages in our production departments in the near future. (Chemicals)

Due to rising wages, uncertainty of the economic condition, tariffs, advancement in technology, and weakening of the labor market, our customers are holding back to see how things unravel before committing to making orders. For those reasons, we too are minimizing inventory and focusing on cash management. (Plastics & Rubber Products)

The new presidential administration's recent policy changes are expected to provide a significant boost to the window manufacturing sector. (Nonmetallic Mineral Products)

We are opening a new, state-of-the-art fabrication facility in Shafter, CA and expect to be filling it with new employees after Jan 1. We are anticipating the release of several large projects that will need the added capabilities. 2025 is shaping up to be an excellent year for new projects. (Primary Metals)

We plan on purchasing less as we stocked up before the end of this year, with a new presidency coming; things change but we believe it is best to be ready. By being ready I mean having a good inventory and a well-trained team ready to work. (Fabricated Metal Products)

Tariffs will be a concern for us as there are no local U.S. made suppliers for our components. China is the only supplier for certain components to manufacture our machines. The USA does not place tariffs on China's Ultrasonic Washers. As prices continue to rise for U.S. supplied components, this will make it difficult to compete with Ultrasonic Washers from China that do not have tariffs imposed on them. (Machinery)

Right now, we are answering “same as current quarter”. I work in the environmental industry, and during election years the sales are usually more conservative, so we've had lower revenue this year. Everyone is very concerned what this Trump administration will look like. Trump has touted to not care about environmental issues much, so does that mean spending for those agencies will be cut? The USGS is one of our biggest customers. We are uncertain what 2025 will bring. (Computer & Electronic Products)

I believe that the next few quarters will show a slow increase in economic production with commodity prices staying stable. (Electrical Equipment, Appliance & Components)

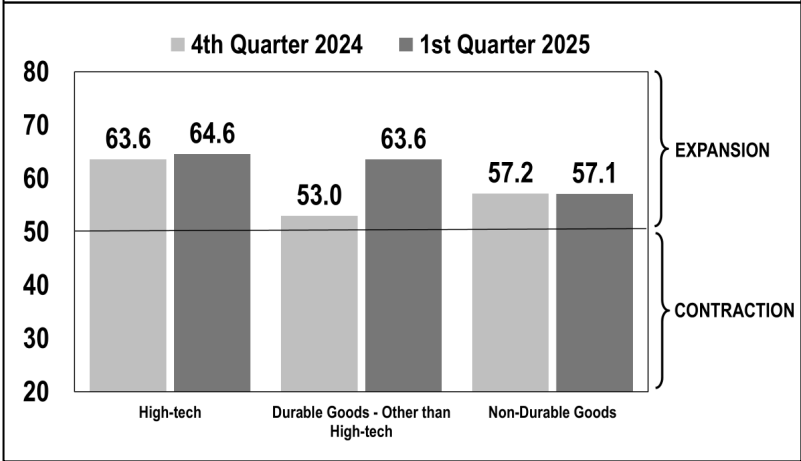
We have noticed price changes for metal-based materials going up from 5%-9%, machined products like brass fittings and machined valves 6%, while hose or rubber-based products have remained stable. Some of our poly-based products like poly pipe and fittings are due to see an increase up to 5%. Most of the increases in prices are hitting in December and the first of the year. (Transportation Equipment)

Chinese New Year slows our supplies. (Furniture & Related Products)

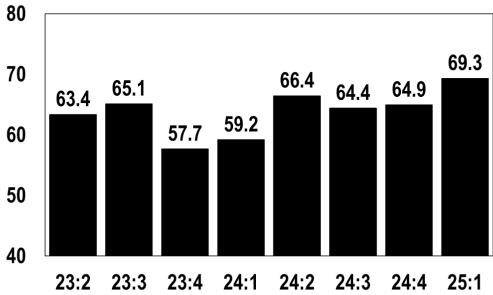
Things have stabilized a bit after the election and we're looking forward to 2025. The last few months have been a bit up and down compared to normal years but we're definitely expecting a good 1st quarter. (Miscellaneous)

A lot of concern over impending tariff threats with regard to material price stability. (Aerospace Products & Parts)

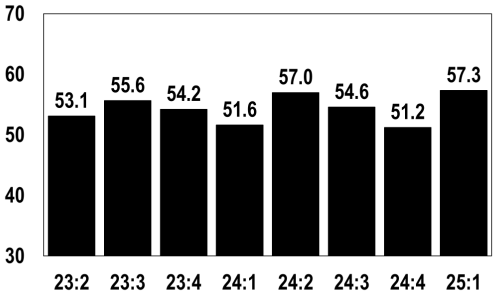
# INDICES FOR INDUSTRY GROUPS



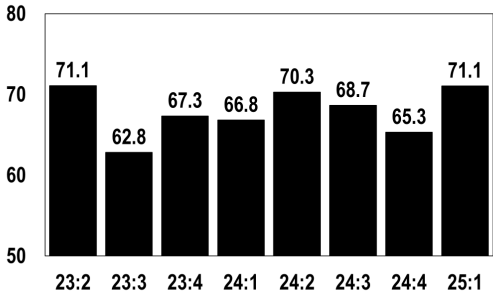
## PRODUCTION INDEX



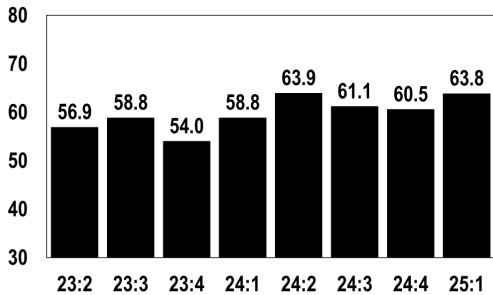
## EMPLOYMENT INDEX



## COMMODITY PRICE INDEX



## NEW ORDERS INDEX



## **Background and Methodology**

The Institute for Supply Management (ISM) conducts a monthly national survey of purchasing managers and publishes the survey results in its *Report on Business*. Such a survey is not available for the state of California. Given the size of our state, and the major role its manufacturing sector plays in the national economy, the A. Gary Anderson Center for Economic Research at Chapman University launched a quarterly survey of California purchasing managers starting in the third quarter of 2002. Similar to the ISM survey, our survey tracks changes in production, employment, new orders, inventories of purchased materials, commodity prices and supplier deliveries. A seasonally adjusted index is computed for each variable except for commodity prices for which no seasonal adjustment is made. Unlike the national survey that tracks the performance of the manufacturing sector in the previous month, the Anderson Center's survey asks the participants to evaluate the expected performance in the coming quarter.

In order to have one single indicator for the performance of the state manufacturing sector, the Anderson Center has developed a Composite Index that is a weighted average of the underlying indices. A value of 50 for the Composite Index shows a general expansion of the manufacturing economy of the state and a value below 50 shows a decline. The industries are classified according to the North American Industry Classification System (NAICS).

**Detailed Results of the Survey of  
California Purchasing Managers' Expectations  
for the First Quarter of 2025**

In its attempt to present you with a better delivery of the survey results, the A. Gary Anderson Center for Economic Research has calculated an index for every variable in the survey. The "% Better," is added to half of the "% Same," after which a seasonal factor is used to get a seasonally adjusted index for each variable (except commodity prices). A value over 50 for an index indicates growth and a value below 50 indicates a decline. If, for example, the index increases from 55 to 59, we say that the growth rate is higher than the previous quarter because 59 is bigger than 55. If the index remains at 55, we say that the growth rate remains the same as the previous quarter. If the index decreases from 55 to 52, we say that we still have growth but that the growth rate is lower than the previous quarter because 52 is smaller than 55. Each industry in the manufacturing sector is represented in the survey based on its employment share of total manufacturing employment in the state.

**Production:** The seasonally adjusted index for production is expected to increase from 64.9 in the fourth quarter to 69.3 in the first quarter of 2025, indicating that production is expected to increase at a higher rate in the first quarter. This is the nineteenth consecutive quarter that the production index has been above 50. Production is expected to increase most rapidly in the following industries: Food; Paper; Printing & Related Support Activities; Chemicals; Plastics & Rubber Products; Wood Products; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliance & Components; Transportation Equipment (other than Aerospace Products & Parts); Aerospace Products & Parts; and Furniture & Related Products. The Petroleum and Coal Products industry reported an expected decrease in production.

<b>Production</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Seasonally Adjusted Index</b>
1 <sup>st</sup> Quarter of 2025	50.5	35.1	14.4	36.1	69.3
4 <sup>th</sup> Quarter of 2024	39.9	42.1	17.9	22.0	64.9
3 <sup>rd</sup> Quarter of 2024	46.5	39.2	14.3	32.2	64.4
2 <sup>nd</sup> Quarter of 2024	50.2	40.0	9.8	40.4	66.4

**Inventories of Purchased Materials:** The seasonally adjusted index for inventories of purchased materials is expected to increase from 54.2 in the fourth quarter to 58.9 in the first quarter of 2025, indicating that inventories are expected to increase at a higher rate in the first quarter. Inventories of purchased materials are expected to increase most rapidly in the following industries: Food; Leather & Allied Products; Chemicals; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliance & Components; and Furniture & Related Products; Inventories of purchased materials are expected to decrease most rapidly in the following industries: Printing & Related Support Activities; and Petroleum & Coal Products.

<b>Inventories of Purchased Materials</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Seasonally Adjusted Index</b>
1 <sup>st</sup> Quarter of 2025	34.8	47.3	17.9	16.8	58.9
4 <sup>th</sup> Quarter of 2024	26.8	48.2	25.0	1.8	54.2
3 <sup>rd</sup> Quarter of 2024	32.2	47.9	20.0	12.2	54.4
2 <sup>nd</sup> Quarter of 2024	35.6	46.3	18.1	17.4	56.5

**Commodity Prices:** The seasonally unadjusted index for commodity prices is expected to increase from 65.3 in the fourth quarter to 71.1 in the first quarter of 2025, indicating that commodity prices are expected to rise at a higher rate in the first quarter of this year. Commodity prices are expected to increase most rapidly in the following industries: Food; Textile Mill Products; Paper; Printing & Related Support Activities; Chemicals; Plastics & Rubber Products; Wood Products; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliance & Components; Transportation Equipment (other than Aerospace Products & Parts); Aerospace Products & Parts; Furniture & Related Products; and Miscellaneous. No industry reported an expected decrease in commodity prices.

<b>Commodity Prices</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Index</b>
1 <sup>st</sup> Quarter of 2025	45.2	51.7	3.1	42.1	71.1
4 <sup>th</sup> Quarter of 2024	37.6	55.4	7.0	30.7	65.3
3 <sup>rd</sup> Quarter of 2024	43.5	50.3	6.2	37.3	68.7
2 <sup>nd</sup> Quarter of 2024	46.5	47.6	5.9	40.6	70.3

**Supplier Deliveries:** For this variable, an index value over 50 indicates slower deliveries, and an index value under 50 indicates faster deliveries. The seasonally adjusted index for supplier deliveries is expected to remain at the same level, indicating that supplier deliveries are expected to remain a little slow in the first quarter. Supplier deliveries are expected to be slowest in the following industries: Chemicals; Plastics & Rubber Products; and Wood Products. Supplier deliveries are expected to be fastest in the following industries: Fabricated Metal Products; and Furniture & Related Products.

<b>Supplier Deliveries</b>	<b>% Slower</b>	<b>% Same</b>	<b>% Faster</b>	<b>Net</b>	<b>Seasonally Adjusted Index</b>
1 <sup>st</sup> Quarter of 2025	12.6	77.7	9.8	2.8	51.9
4 <sup>th</sup> Quarter of 2024	17.7	69.2	13.1	4.7	51.9
3 <sup>rd</sup> Quarter of 2024	14.9	72.7	12.3	2.6	51.5
2 <sup>nd</sup> Quarter of 2024	12.0	71.4	16.6	-4.7	47.3



**New Orders:** The seasonally adjusted index for new orders is expected to increase from 60.5 in the fourth quarter to 63.8 in the first quarter of 2025, indicating that new orders are expected to increase at a higher rate in the first quarter. New orders are expected to increase most rapidly in the following industries: Food; Printing & Related Support Activities; Chemicals; Wood Products; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; Computer & Electronic Products; Electrical Equipment, Appliance & Components; Furniture & Related Products; and Miscellaneous. The Petroleum & Coal Products industry reported an expected decrease in new orders.

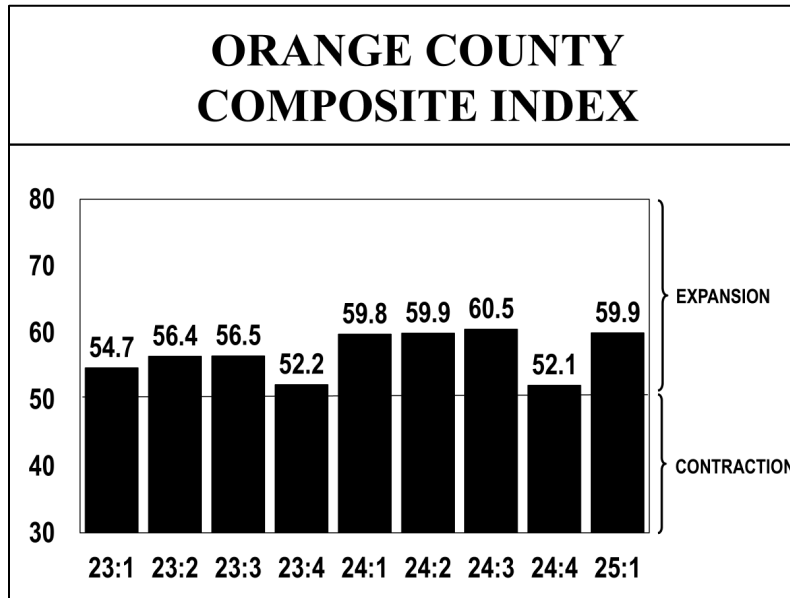
<b>New Orders</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Seasonally Adjusted Index</b>
1 <sup>st</sup> Quarter of 2025	43.4	40.0	16.6	26.7	63.8
4 <sup>th</sup> Quarter of 2024	36.8	40.3	23.0	13.8	60.5
3 <sup>rd</sup> Quarter of 2024	44.1	36.1	19.7	24.4	61.1
2 <sup>nd</sup> Quarter of 2024	49.6	35.3	15.1	34.6	63.9

**Employment:** The seasonally adjusted index for employment is expected to increase from 51.2 in the fourth quarter to 57.3 in the first quarter of 2025, indicating that employment in manufacturing is expected to improve in the first quarter. Employment is expected to increase most rapidly in the following industries: Chemicals; Nonmetallic Mineral Products; Primary Metals; Fabricated Metal Products; Machinery; and Computer & Electronic Products. Employment is expected to decrease most rapidly in the following industries: Food; Printing & Related Support Activities; and Miscellaneous.

<b>Employment</b>	<b>% Higher</b>	<b>% Same</b>	<b>% Lower</b>	<b>Net</b>	<b>Seasonally Adjusted Index</b>
1 <sup>st</sup> Quarter of 2025	24.8	63.7	11.5	13.3	57.3
4 <sup>th</sup> Quarter of 2024	17.6	64.3	18.2	-0.6	51.2
3 <sup>rd</sup> Quarter of 2024	26.7	58.5	14.8	11.9	54.6
2 <sup>nd</sup> Quarter of 2024	26.1	63.7	10.2	15.9	57.0

## Orange County's Manufacturing Survey

The Orange County manufacturing sector's Composite Index increased from 52.1 in the fourth quarter to 59.9 in the first quarter of 2025, indicating that the county's manufacturing economy is expected to grow at a higher rate in the first quarter.



The seasonally adjusted index for production increased substantially from 55.5 in the fourth quarter to 65.5 in the first quarter, indicating that production is expected to increase at a higher rate in the first quarter. The indices for inventories of purchased materials, new orders, commodity prices and employment also increased, indicating that they are all expected to increase at a higher rate.

The index for the **non-durable goods industries** increased substantially from 52.4 in the fourth quarter to 64.6 in the first quarter of 2025, indicating that these industries are expected to expand at a higher rate in the first quarter. The indices for production, inventories of purchased materials, new orders, commodity prices and employment also increased, indicating that they are all expected to increase at a higher rate.

The index for the **high-tech industries** increased slightly from 59.6 to 60.6, indicating that these industries are expected to expand at a slightly higher rate. The indices for production, inventories of purchased materials, commodity prices and employment decreased, indicating a lower growth rate. The indices for supplier deliveries and new orders increased.

The index for the **durable goods industries other than high-tech** increased from 47.4 to 57.1, indicating that the durable goods industries other than high-tech are expected to grow at a higher rate. Production, inventories of purchased materials, commodity prices, new orders and employment are all expected to grow at a higher rate in the first quarter.

## **ABOUT THE ANDERSON CENTER FOR ECONOMIC RESEARCH**

The A. Gary Anderson Center for Economic Research (ACER) was established in 1979 to provide data, facilities and support in order to encourage the faculty and students at Chapman University to engage in economic and business research of high quality, and to disseminate the results of this research to the community.

## **ANNUAL SCHEDULE OF CONFERENCES AND PRESS RELEASES**

- |                 |   |
|-----------------|---|
| <b>JANUARY</b>  | <ul style="list-style-type: none"><li>▶ Economic Forecast Conferences for the Inland Empire</li><li>▶ California Purchasing Managers Survey</li></ul> |
| <b>APRIL</b>    | <ul style="list-style-type: none"><li>▶ California Purchasing Managers Survey</li></ul>   |
| <b>JULY</b>     | <ul style="list-style-type: none"><li>▶ California Purchasing Managers Survey</li></ul>   |
| <b>OCTOBER</b>  | <ul style="list-style-type: none"><li>▶ California Purchasing Managers Survey</li></ul>   |
| <b>DECEMBER</b> | <ul style="list-style-type: none"><li>▶ Economic Forecast Conference for the U.S., California and Orange County</li></ul>                             |